

this conflict through to a peaceful and honorable solution.

Govt. Ops
**ACTIVITIES OF THE COMMITTEE ON
 GOVERNMENT OPERATIONS, 90TH
 CONGRESS, FIRST SESSION**

Mr. McCLELLAN. Mr. President, as chairman of the Committee on Government Operations, I submit for the information of the Senate a brief summary of the activities of the committee and its subcommittees during the 1st session of the 90th Congress, and ask that it be printed in the RECORD at this point as a part of my remarks.

There being no objection, the items were ordered to be printed in the RECORD, as follows:

**PERMANENT SUBCOMMITTEE ON
 INVESTIGATIONS
 ACTIVITIES REPORT, 90TH CONGRESS,
 1ST SESSION**

Senate Resolution 53 of the 90th Congress, First Session, passed by the United States Senate on February 17, 1967, authorized and directed the Committee on Government Operations to conduct investigations into three areas. These areas are: (1) efficiency and economy in the operation of the Federal agencies in the executive branch of the Government, (2) improper and criminal activity in the labor or management fields, and (3) organized criminal activities utilizing the facilities of interstate or foreign commerce.

In the carrying out of these responsibilities, the Senate Government Operations Committee delegated its authority in these fields to the Permanent Subcommittee on Investigations.

The principal investigations conducted under this resolution during 1967 are:

1. Small business investment companies

In August of 1966, the Subcommittee conducted hearings relating to the Small Business Investment Company program supervised by the Small Business Administration. These hearings disclosed a failure on the part of SBA to screen adequately the individuals who received Government funds. They indicated also inadequacy in the examination and investigative procedures used in the agency at that time and that self-dealing, conflicts of interest and possible fraud were prevalent in the program.

Hearings were suspended in August 1966 to permit the new Administrator, Mr. Bernard L. Boutin, to take corrective measures and to report back to the Subcommittee.

An additional hearing was held by the Subcommittee on April 12, 1967, to permit Mr. Boutin to describe the results of the changes he had brought about. Mr. Boutin said that a new minimum private investment floor of \$300,000 was now required before SBA funds would be available. He said the agency has tightened up on procedures for changing control of a small business investment corporation after having been licensed by SBA. It was his intention to eliminate the fraudulent and the incompetent operators from the program and reduce the number of licensees from 700 to about 200. The examination and investigation procedures were tightened up considerably permitting more up to date information and better control. A number of cases have been referred to the Department of Justice on the basis of facts developed by this investigative action. As opposed to a previous estimate of \$18 million to be lost by the Government, Small Business revised this figure upward so that their reserve for losses now amount to \$50,571,607 out of a total outstanding indebtedness by these SBIC's of \$284,389,052. Prior to his resignation in June, 1967, Mr. Boutin submitted a package of legislative

proposals making substantial changes in the program and these proposals are being considered by the Congress.

2. Vietnam, improper practices in the commodity import program—AID

Hearings—Part I—Chemicals

On April 25, 26, and 27 of this year, the Subcommittee held public hearings into the operations of the Commodity Import Program administered by AID. For the fiscal year 1967, the USAID budget for Vietnam was \$800 million. One-half of this amount was obligated in fiscal year 1966 to the Commodity Import Program.

The primary concern of the Subcommittee during these hearings centered around waste and inefficiency in the administration of this program, particularly in procurement of chemicals shipped to Vietnam and which were financed by AID officials without adequate knowledge as to the economic need, quality, or quantity of the goods being shipped.

The Subcommittee also revealed evidence that unscrupulous Vietnamese importers circumvented AID regulations which required public announcement as to bids, etc., as required by the Small Business Administration for commodity purchases going into Vietnam over \$10,000. These safeguards against possible collusion between the suppliers and the importers are not applicable in transactions under \$10,000. The hearings disclosed that 85 percent of the licenses issued for the importation of these chemicals were slightly under \$10,000, thus not subject to the Small Business Administration's regulations. Circumvention of this regulation was clearly illustrated in testimony that 39 licenses were issued by the Vietnamese Government for a worthless battery additive, primarily made up of Epsom salts, and a rust inhibitor involving the same suppliers. All of these import licenses were under \$10,000.

In May of 1966, Higgins exported, under 26 separate export licenses, this worthless battery additive to Vietnam and was paid approximately \$250,000 by AID.

Letters of credit were issued after Higgins had conspired with a Vietnamese national named Dinh Xuan Thao to have certain Vietnamese importers obtain import licenses for Higgins' battery additive. Under this arrangement, importers were financed by Thao and received a commission for the use of their names on licenses in violation of Vietnamese law. For this fraudulent scheme, Thao was paid by Higgins approximately \$125,000 which was deposited in Thao's Swiss bank account in May and June 1966. In June of 1966, AID banned further imports into Vietnam of battery additive products. Within 30 days, the same importers modified their import licenses and they proceeded to import another of Higgins' products, a radiator rust inhibitor. Mr. Thao admitted that these monies were placed in a Swiss bank account in order to circumvent Vietnamese currency regulations which enabled him to finance his Vietnamese operations through converting dollars into piasters in the black market.

At the conclusion of these hearings, the Subcommittee recommended that the loopholes in AID regulations be tightened up and the \$10,000 limitation be drastically reduced; that commodity requests by the Vietnamese Government or by importers receive a more intelligent evaluation; and that the Agency increase its alertness so as to detect fraud and other improprieties.

Hearings—Part II—(a) Pharmaceuticals

On August 1, 2, and 3 of this year, the Subcommittee held its second series of public hearings involving pharmaceuticals exported to Vietnam under the Commodity Import Program. These hearings disclosed a disturbing pattern of kickbacks, overpricing, and collusive deals in Vietnam under this pro-

gram. Testimony before the Subcommittee disclosed that a total of \$807,037.47 was paid in kickbacks and illegal commissions to Vietnamese importer LaThanh Nghe and members of his family by American and European drug firms which shipped AID-financed pharmaceuticals into Vietnam during the period 1957-1965. LaThanh Nghe was, until recently, a Cabinet member of the Vietnamese Government and is presently running for election to the Senate in the Constitutional Assembly of Vietnam. The Subcommittee also heard testimony that French and Italian drug products shipped into the United States and later shipped to Vietnam were falsely certified as having been manufactured in the United States.

AID announced that it had adopted the Subcommittee's recommendation made in its first set of hearings in April relating to the practice of limiting transactions on Vietnamese imports to amounts under \$10,000 for the purpose of circumventing the AID requirement that such procurement be advertised through the Small Business Administration. Effective July 15, 1967, no new licenses under \$5,000 will be approved for AID financing under the AID program. Also, effective July 15, 1967, all AID-financed transactions are to be advertised in AID's Small Business Circular except where a waiver is specifically granted by the Agency.

At the hearings, the representatives of AID announced that they had, as of July 15, 1967, discontinued financing of all pharmaceuticals to Vietnam under the Commodity Import Program because they were unable to protect the Commodity Import Program in Vietnam from abuses in the pharmaceutical field.

Additional claims involving kickbacks and ineligible commissions in the amount of approximately \$250,000 have been or are in the process of being issued by AID against American drug firms as a result of joint investigative effort by the Subcommittee's staff and representatives of AID.

(b) Procurement of Railroad Bridges for Vietnam

During the summer of 1967, the Subcommittee staff conducted inquiries into the propriety of an award for 12 steel railroad bridges for the Vietnam Railroad made in 1965 to a company in Norfolk, Virginia. This procurement was financed by AID under its Counter-Insurgency Program for Vietnam.

Although another bid from an established supplier of railroad bridges was \$250,000 lower, this bid was declared non-responsive by AID. The inquiries showed that the basis for the finding that the low bid was non-responsive related to the amount of shop assembly to be performed. The investigation shows substantially no difference in the amount of shop assembly proposed by the two bidders.

Further, the investigation disclosed that the agent for the successful bidder had access to advance information on the proposal before it was officially published; that he wrote he could guarantee the bid would be accepted even if it was higher because he was splitting his five percent commission with people in Saigon. The successful bidder paid part but not all of this commission to a Swiss bank account at the instructions of the agent, Dinh Xuan Thao, who also figures in the Subcommittee investigation of the Vietnam battery additive case.

3. Procurement of computers

In June of 1967 the Subcommittee made inquiries into a proposed procurement by the Air Force of 135 computer systems for Air Force bases all over the world. These systems are to replace older computer systems now handling routine data processing in the fields of personnel, financial, construction, maintenance and medical records.

This was to be the largest single order for computers ever placed. The requirement was for commercially available, off-the-shelf

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CONGRESSIONAL RECORD — SENATE

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What do they actually earn?
Where does the money go?

Such a system is bound to save time and money. No longer will parties to a rate case have to spend months trying to determine factual data on utility operations. The unfair "water over the dam" rule, under which overcharges cannot be recovered, will be obviated. Comparability of utility earnings, a vexatious area now even for investment bankers, can be easily ascertained. And utilities themselves, knowing that regulators and the public will have convenient access to their accounts, will be less inclined to pass on to the customer their political expenditures and donations to the right-wing organizations through which the utilities disseminate their propaganda, beginning in the elementary schools.

When President Johnson established the President's Committee on Consumer Interests in nineteen sixty-four he issued an executive order, stating that "the Committee shall from time to time consider the Federal policies and programs of primary importance to consumers or the unmet consumer needs which can appropriately be met through Federal action, either under existing laws or new legislation."

In my view modernization of regulatory equipment and techniques merits the sustained support of the President's Committee, the Executive branch and Congress.

I hope Consumer Assembly agrees—and sees that we do the job.

Until regulation is modernized the only way you are going to get rates down where they should be is through strong representations by consumer groups to the state commissions. This can be accomplished through a Peoples Council, such as they have in Maryland, or through a state consumers council, such as the one established by the Massachusetts legislature. A third technique was used by the City of Miami, which engaged a public utility consultant. His findings were reported in an excellent series of articles by Juanita Greene in the Miami Herald. The combination of his report and her reporting, plus the preliminary efforts of a few interested individuals, led to multi-million dollar reductions in both electric and telephone bills.

A fourth technique is being tried in Virginia, under the auspices of the Virginia Citizens Consumers Council. Impatient with the failure so far of any county or city to do as Miami did, and finance an expert study, the Virginia Council is forming a Committee of One Thousand, hoping thus to raise, through five-dollar contributions from each, enough money to finance a preliminary study upon which a successful rate case may be based.

I commend all of these approaches. The Committee of One Thousand approach may be the best way to get action started. After all, many of us are overcharged five dollars each month by a power company. Residential customers and small businessmen alike stand to get their five dollars back, many times over, through needed rate reductions.

So, I hope that from this Consumers Assembly will ensue Committees of One Thousand in State after State, composed of persons who will start to get the rates down, who will see that the facts about utilities are taught in the schools, reported in the press, discussed in public forums and reflected in legislation.

My third suggestion relates primarily to nuclear power, which holds at once the prospect of immense savings and awesome monopoly.

More than half of the new generating capacity contracted last year was nuclear. By the end of this century all new plants will probably be nuclear. Nuclear power is here now, to stay and to grow. It is here now because the taxpayers put up more than two billion dollars to make it practical. Now that

it is practical the investor-owned utilities want it all to themselves.

They are attempting to exclude city-owned and consumer-owned systems who seek to become paying partners in nuclear generating and transmission systems proposed by private power companies. And they are attempting to prevent any agency of the Federal Government from building, as only the Tennessee Valley Authority plans, a nuclear power facility.

The evidence of this attempt to arrogate nuclear power is overwhelming and continuing, in proceedings before the Federal Power Commission, Atomic Energy Commission, Securities and Exchange Commission and House of Representatives. In the Massachusetts case before the Federal Power Commission, FPC staff counsel has found that the Massachusetts municipals were denied participation in the planning activities of the New England utilities, and further found such exclusion detrimental to the city-owned systems and constituted possible violation of anti-trust statutes.

The survival and growth of city-owned and other consumer-owned power systems is essential to reduction of overcharges. The consumer systems provide the yardstick of competition which the investor-owned utilities abhor more than regulation. Customers of I.O.U.s pay more than half again as much for power as customers of publicly owned systems do. I could cite case after case where the presence of a competitor or even a prospective competitor causes a power company to reduce rates or forestall rate increases. I will cite here only the most recent example in Texas. Southwestern Public Service has proposed rate increases in sixty West Texas towns. But it held off on proposing rate increases also served by municipal systems in three towns which generate their own power.

The utilities which do lower their rates to meet the competition find that they sell more power that way and do even better financially. However, it takes a competitor from outside the club to get those rates down.

But, you may ask, is there not a preference clause to help consumer-owned power systems benefit from nuclear power and from power generated at Federal plants?

The preference clause in the Atomic Energy Act is useless in present circumstances. It provides that public bodies and cooperatives shall be preference customers for electric energy generated by the Atomic Energy Commission. The trouble with that is, AEC isn't selling any electric energy. The situation is analogous—as my California friend, Congressman John Moss says, with the French law which prohibited rich and poor alike from begging in the streets or sleeping under bridges.

The Federal Government does not retail electricity to anybody, despite what one reads in the biennial reports for the power industry by Opinion Research Corporation. The Federal Government generates a decreasing percentage—now thirteen per cent—of the Nation's electricity and sells it at wholesale, at the same rates, to all types of power suppliers. Less than half of the Federally-produced power goes to the municipal, state and cooperative power systems. Most Federally-generated power is hydroelectric. There are few good dam sites left for additional big projects and there is increasing opposition to them. Hydroelectric power is most efficiently used for peaking purposes—to provide that extra power you need at the breakfast and dinner hours. Increased use of hydro for peaking diminishes its usefulness to most preference customers. So what it all boils down to is this:

Competition lowers rates. The short yardstick of competition has shortened and will shorten some more. The giant I.O.U.s are trying to lock out their small competitors

who want in on nuclear power. What to do?

At this point someone usually asks: What about the Antitrust Division of the Justice Department?

I am afraid Galbraith was right, when he characterized promises to enforce antitrust laws "an overture to nostalgia." Especially, I would add, when the Nation's largest and most powerful industry is involved. I have referred to Justice what I thought were good cases. But so far the Department has been more interested in dairy farmers who spill the milk than in power companies who will not serve or permit service to cities and towns from Minnesota to Maine whose mayors and councilmen refuse to be "blandished or intimidated by power company officials."

Therefore the remedy lies in construction by the Federal Government of additional generating facilities, including nuclear plants, or in iron-clad assurances that all power systems can participate on an equitable basis in the giant generating and transmission facilities of the present and the future as proposed in the Aiken-Kennedy bill, S. 2564.

The stakes are large. The time is short. I know that you will help. Thank you.

SPEECH OF PRESIDENT JOHNSON REGARDING OUR INVOLVEMENT IN SOUTH VIETNAM

Mr. BYRD of West Virginia. Mr. President, in his speech last night to the AFL-CIO convention, President Johnson declared:

It is easy to agonize and moralize, to pin your heart on your sleeve or a placard on your back and think that you are helping to stop the war.

And he added:

But I only wish that those who bewail war would bring me just one workable solution to end the war.

They must also have a practical solution, not a concoction of wiseful thinking and false hopes, however well meaning.

And it must be a solution "that does not call for cutting and running now."

The President served notice that he will not be pressured into taking an extreme position in this war—either running from the conflict or dangerously escalating it.

The President also made it clear that the onus for peace rests in Hanoi. But until the Communists decide that they are ready to negotiate, the United States has no choice but to continue to defend the people of South Vietnam against aggression.

I think the American people agree with the President that we are defending freedom in Southeast Asia in order to preserve our freedom here at home. To run from this war, is to invite even more costly and dangerous future wars—perhaps even the threat of nuclear war.

Peace will come—

The President said—

I am convinced of that. But until it does, I will continue, with the support of our determined people, to hold the line we have drawn against aggression, and hold it firm and steady.

I believe that this is the position shared by the overwhelming majority of the American people, who stand with the President in equal determination to see

equipment. Four companies submitted bids. The bid range was from about \$70 million to about \$140 million. The Air Force rejected the three low bidders on the grounds that they were nonresponsive and accepted the highest bid. The three rejected bidders filed protests with the Subcommittee, the Defense Department and the General Accounting Office. Intensive inquiries were made by the staff in June and July 1967 into the basis for the rejection of the low bidders as non-responsive, the economic factors considered and the validity of an Air Force cost effectiveness study used to justify the award.

Hearings were scheduled in Executive Session on July 18, 1967. However, on July 14, 1967, the General Accounting Office issued a report indicating that additional negotiation should have taken place and on the same day, the hearings were postponed at the request of Air Force Secretary Harold Brown who advised the Chairman that he intended to reopen negotiations with all four suppliers. A substantial savings of many million dollars should result.

This inquiry is illustrative of an area in which this Subcommittee renders effective service. With a relatively minor change in equipment, the lower bidders can meet Air Force specifications. Even though no hearings were held on this subject, yet a saving of more than \$50 million should be effected.

4. TFX

Throughout the last several years, the Subcommittee has maintained a group assigned to maintain a day to day knowledge of the progress of the research and development in the TFX airplane. This plane now carries the designation F-111 (Air Force version), F-111B (Navy version), and the F-B111 (the bomber version). This information was made available to the Senate Appropriations Committee at the time the Defense Department was asking funds to pursue the TFX program. This Subcommittee will continue to maintain contact so as to keep currently informed as to the progress of this airplane.

Reports and Legislation

1. Labor racketeering

On April 24, 1967, a report was filed in the Senate based on hearings conducted earlier. This report described persons acting in a conflict of interest position in labor organizations in New York City. The fact that these men controlled the welfare and pension funds of several unions deprived the legitimate beneficiaries of these funds of their use. The Chairman of this Subcommittee recommended legislation (S. 1255 in the 90th Congress) which would, if enacted, tighten the control by the Department of Labor over those acting in a fiduciary function, thereby protecting the funds of union members.

2. FHA multiple dwelling projects

On June 28, 1967, this Subcommittee issued a report entitled "Investigation into FHA Multiple Dwelling Projects." This report contained information secured in public hearings earlier and related to the FHA Multifamily Housing Projects with particular emphasis on that portion of the program known as Section 220 or urban renewal.

In the specific project studied, FHA ultimately acquired title to the Barrington Plaza for \$20,758,413. Ultimately, the property was sold for \$21.2 million on a 40-year mortgage with 5½ percent interest. This price is so high that the income cannot possibly meet the payments to maintain it. The income figures and the value estimates would suggest a purchase price of about \$13,735,000. This loss to the Government is compounded by the fact that not only did the Government pay more for the property than it is worth but they have given the purchaser a built-in tax shelter.

Based on this report, the Chairman of this Subcommittee introduced in the Senate a bill

(S. 1249 in the 90th Congress) to amend the National Housing Act. Its purpose is to provide further protection for the interest of the United States in the insurance of mortgages in the multifamily housing field. Because of the possibility that weaknesses described in the program during the course of this investigation might also exist in other FHA programs, this Subcommittee plans to pursue investigation into additional programs of housing administration.

Future Work

1. Nursing homes

The Subcommittee has received allegations to the effect that nursing homes, in some instances, have received loan insurance from FHA in excess of a reasonable amount considering the financial ability of the sponsors and the possible income after completion of the homes. It is anticipated this matter will be explored further.

2. Labor

In the field of labor, the Subcommittee has maintained continuous surveillance over the functioning of the Landrum-Griffin Act. It appears that Section 504 of the Act, which makes it illegal for persons guilty of certain offenses to hold union offices for five years, should be amended so as to include more offenses. Persons guilty of serious offenses are in no way prohibited under the present law from holding office. It is anticipated that this matter will be explored in the near future.

3. TFX

The TFX progress will be followed by this Subcommittee in the future as it has been in the past.

4. Civil defense

A preliminary inquiry is being conducted by the staff of the Subcommittee into the economy and efficiency of the Office of Civil Defense (OCD). An allegation was received that the OCD management was overstaffed and excessively expensive. In this connection, of the appropriation of \$105,090,894 OCD received for Fiscal Year 1966, \$11,994,222 was for Management. Another allegation received was that eight Federal emergency operations centers (EOC's) were to be built in strategic sections of the United States and in the event of an enemy attack were to function as a protected underground alternative or subordinate command headquarters from which the Federal recovery effort could be directed, if necessary, by the President, Cabinet members, or other Government officials. However, it is alleged that the design and specifications for these EOC's were inadequate, thereby raising a serious question as to waste and inefficiency within the OCD.

5. Riot investigation

On August 11, 1967, the Senate passed Senate Resolution 150. This resolution authorized and directed the Government Operations Committee to make a "complete study and investigation of riots, violence, disturbances of the peace, vandalism, civil and criminal disorders, insurrection . . ." and to seek out the "immediate and long-standing causes" of such occurrences as well as to study "measures necessary for their immediate and long-range prevention . . ." This responsibility and authority was delegated to the Senate Permanent Subcommittee on Investigations.

When the Subcommittee received this delegation, an initial inquiry of available documents indicated that since January of 1964 there were approximately 140 civil disorders and disturbances in varying degrees of severity and magnitude. Approximately 80 of the cities were subjected to disorders within the last three years which might be considered major events. In an effort to assemble a comprehensive account of these events in the shortest time possible, the Subcommittee augmented its professional staff by seeking the assistance of various Federal agencies and by employing on a temporary

basis trained and experienced investigators and researchers.

The two largest and most destructive riots in 1967 occurred in the cities of Detroit, Michigan, and Newark, New Jersey. The Subcommittee has established offices in those cities and teams of investigators have been working in these localities since shortly after the authorizing resolution was passed in the Senate. Other teams of staff members have been assigned to other areas including Houston, Texas, Nashville, Tennessee, Plainfield, and Englewood, New Jersey. It is anticipated that many of the other cities will be visited during the course of this investigation.

The Subcommittee has been able to conduct hearings on certain of these disturbances. Beginning on November 1, 1967, the Subcommittee heard testimony relating to disturbances in Houston, Texas, Nashville, Tennessee, and Plainfield, New Jersey. As of the conclusion of the first session of the 90th Congress, the investigation is in its early stages and the Subcommittee plans extensive work in this area during the second session of the 90th Congress.

SUBCOMMITTEE ON NATIONAL SECURITY AND INTERNATIONAL OPERATIONS

ACTIVITIES REPORT, 90TH CONGRESS, 1ST SESSION

In the 90th Congress, first session, the Subcommittee on National Security and International Operations, under the chairmanship of Senator Henry M. Jackson, carried forward its inquiry on the Atlantic Alliance and initiated a major inquiry into the Planning-Programming-Budgeting System (PPBS) in the national security area.

The Atlantic alliance

In March the Subcommittee issued a special staff report entitled "The Atlantic Alliance: Unfinished Business," suggesting certain attitudes and approaches that might be helpful in dealing with the unfinished Alliance tasks of mutual defense and of winning eventual Soviet acceptance of a genuine European settlement. This report, drawing on the testimony and counsel received by the Subcommittee during the 89th Congress, has gained a wide audience in official circles in Washington, in allied capitals in Canada and Europe, and in the headquarters and international commands of the Alliance.

The Subcommittee published two additional publications in this area:

"The Atlantic Alliance: Current Views," which makes readily available recent important statements from American and allied sources on relations between the United States and our partners in the Atlantic Alliance.

"The Soviet View of NATO: Speech by Leonid I. Brezhnev April 24, 1967," which provides revealing evidence of current Soviet and European communist approaches to NATO and to problems of security in Europe.

Planning-programming-budgeting (PPBS)

In the summer of 1967, the Subcommittee initiated the first major Congressional inquiry into the Planning-Programming-Budgeting System, applied in the Department of Defense starting in 1961 and extended to the other major federal departments and agencies in President Johnson's directive of August 25, 1965. Consistent with its jurisdiction, the focus of the Subcommittee is in the operation of the system in the national security area, and the lessons to be learned from that experience.

The government-wide application of PPB systems, similar to that of the Department of Defense, is not without problems and risks. Most executive departments and agencies, in the words of Charles J. Hitch, "are still struggling manfully to learn just what this means and how to comply."

The Subcommittee's interest is professional and nonpartisan. It is examining the risks and limits as well as the possibilities in the application of planning, program budgeting,

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systems analysis and cost-effectiveness study in the national security departments and agencies. It is seeking to get the basic issues involved in these tools and management techniques out on the table to encourage, to the extent that it may be possible, a balanced view of their value. At a later time in its study certain findings, suggestions and recommendations for improvement will be issued. In undertaking this inquiry, the Subcommittee's purpose is to be helpful both to the Executive Branch and to Congress.

In the 90th Congress, 1st session, executive hearings were held in August, September, and October. The Subcommittee released this testimony in two parts:

Part 1: With Charles L. Schultze, Director, Bureau of the Budget, August 23, 1967

Part 2: With Dr. Alain C. Enthoven, Assistant Secretary of Defense (Systems Analysis), September 27 and October 18, 1967

Other witnesses will be called as the Subcommittee inquiry proceeds.

The following additional publications on PPBS were issued this year:

"Planning-Programming-Budgeting: Official Documents," which makes available the Presidential directive of August 25, 1965, and the texts of related Presidential statements and of current Budget Bureau guidelines on PPBS.

"Planning-Programming-Budgeting: Selected Comment," which provides recent comment, from a variety of viewpoints, on program budgeting, systems analysis and cost-effectiveness studies—key features of PPBS.

"Planning-Programming-Budgeting: Initial Memorandum," a staff study which identifies the range of issues on which the Subcommittee seeks counsel and is holding hearings.

SUBCOMMITTEE ON FOREIGN AID EXPENDITURES ACTIVITIES REPORT, 90TH CONGRESS, 1ST SESSION

1. On January 30, 1967, a report was issued on the "Disposal of United States Military Installations and Supplies in France." This was issued as a Senate Document on April 6, 1967.

2. In April, Senator Gruening and the Subcommittee staff made an inspection trip overseas. Senator Gruening visited France and Belgium in connection with the pullout of U.S. forces from France. The purpose of the inspection was to determine whether economy and efficiency were being exercised by the Department of Defense in the removal of the one million tons of military supplies. The inspection trip also included a follow-up on the criticism of the Department of State and Defense contained in the January 30, 1967, report referred to above.

3. The Subcommittee staff continued the trip in the latter part of April and May by visits to Turkey, Thailand, Vietnam, Korea, Japan and Hong Kong. Investigations in these countries were concerned with the administration of the excess property program of AID authorized by section 608 of the Foreign Assistance Act of 1961. Very large quantities of material and equipment no longer needed by the military services are obtained by AID at no cost and given to foreign countries as economic assistance after the equipment is repaired and overhauled. The investigation disclosed gross mismanagement of the program involving: 1) overpayments to overhaul contractors; 2) inadequate repairs leading to equipment breakdown; 3) non-utilization of equipment after delivery to foreign countries; and 4) overprogramming of equipment deliveries in excess of country capabilities to maintain or utilize.

4. The visit to Hong Kong and Vietnam was a follow-up to determine the effectiveness of the Department of Defense procedures to prevent procurement from communist Chinese firms. New procedures had been

established in 1966 by DoD as a result of disclosures and recommendations of Senator Gruening regarding purchases from communist firms. The inspection developed evidence that AID had made some procurements from communist Chinese firms for aid shipments to Vietnam, and this information was turned over to Mr. Alderman for use in his current investigation of the Vietnam aid program.

5. Hearings were held in September, 1966, on AID's mismanagement of the excess property program. The hearings also included testimony of officials from AID, General Services Administration, Health, Education and Welfare, and Bureau of the Budget on S. 1794, which has been referred to the Subcommittee. The bill would make excess property available to state and local health, education and civil defense agencies before such property could be sent to foreign governments.

6. At the request of Senator McClellan, the Subcommittee staff began a review of AID's Rural Community Development program in Bolivia. Meetings were held with AID officials, and considerable data was accumulated from the agency's files.

7. The study of the worldwide population crisis continues to be of interest to the Subcommittee because the proper coordination of the programs of the agencies involved and the necessary staffing and funding of such programs has not taken place. A bill, S. 1676, to coordinate and disseminate birth control information upon request at home and overseas has again been introduced. The bill has cosponsors representing both political parties and the major religions. Again identical legislation has been introduced in the House of Representatives by Rep. Morris Udall of Arizona and others.

8. The Subcommittee continues to be concerned about the lack of coordination of federal government programs in the family planning field, both domestic and foreign. On November 2, 1967, it held its 29th hearing on S. 1676 and the Population Crisis to explore domestic programming. At the request of the Subcommittee, the Department of Health, Education and Welfare released publicly a consultant's (Harkavy) report entitled "Implementing DHEW Policy on Family Planning and Population" at the hearing.

The hearing unfortunately confirmed what the Subcommittee feared—that the Department had neither implemented Presidential mandates on family planning nor carried out in the field the specific directives of Secretary Gardner.

9. A review has been started of AID and Peace Corps contracting procedures for training Peace Corps volunteers and foreign nationals. A formal opinion has been obtained by the Subcommittee from the Comptroller General which states that under existing agency contracting procedures, inadequate competitive bidding is taking place.

Subcommittee plans for the remainder of the year include the following:

1. Completion of a report on the investigation and hearings of AID's excess property program.

2. Continuation of the study of AID's community development program in Bolivia. A field trip to Latin America will probably be required, and consideration is being given to studying community development programs in other countries.

3. Hearings on the disposal of supplies and installations in France by the Department of Defense and on DoD disposals in other countries may be held depending on an evaluation of data now being reviewed.

4. The study of AID and Peace Corps contracting procedures will be completed and hearings undertaken depending on the outcome of the study.

5. The Subcommittee will hold a follow-up hearing on population control late in January to determine if the so-called Harkavy report has been augmented properly by staff

and by funding. The Chairman has expressed his belief that the federal government cannot expect to be a world leader in family planning when its own programs are in disarray.

The Subcommittee will also look specifically at the foreign aspects of U.S. policy in the family planning field. A hearing to determine what is being done in this area will be held early in 1968. A third hearing is now being prepared with the assistance of the National Institutes of Health which will analyze the advances in medicine and its related fields which have been the principal factor in creating the present population dilemma.

More than ever, the desirability of coordinating and disseminating family planning information upon request at home and overseas becomes apparent if federal funds are to be expended economically.

Lack of coordination at the federal level is apparent, and the Subcommittee, while still attempting to answer the many requests it receives for information, simply does not have the staff necessary to do the job.

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS ACTIVITIES REPORT, 90TH CONGRESS, 1ST SESSION

On July 12, 1962, the Subcommittee on Intergovernmental Relations, chaired by Senator Edmund S. Muskie, of the Senate Committee on Government Operations, was legally constituted. Since its inception, the Subcommittee has conducted its operations under its mandate "to examine, investigate, and make a complete study of intergovernmental relations . . . including an evaluation of studies, reports, and recommendations made thereon and submitted to the Congress by the Advisory Commission on Intergovernmental Relations."

Legislation and research comprise the Subcommittee's activities. During the first session of the 90th Congress, the principal legislative concerns of the Subcommittee have been S. 699 and S. 1485, both of which provide for Federal aid to State and local governments for training and personnel administration, and S. Res. 68, to establish a Senate Select Committee on Technology and the Human Environment.

Legislative activities

S. 699 and S. 1485.—On January 26, 1967, Senator Muskie introduced S. 699, the Intergovernmental Personnel Act of 1967. This measure contains basically the same provisions as S. 3408, the Intergovernmental Personnel Act of 1966, introduced by Senator Muskie during the 89th Congress, Second Session. On April 11, 1967, at the request of the Administration, Senator Muskie introduced S. 1485, the Intergovernmental Manpower Act of 1967. The objectives of the two bills were identical—to improve intergovernmental cooperation in the management of Federal aid programs through: (1) broader use of the merit principle in public employment; (2) improvement of State and local personnel administration; (3) special training for public employees engaged in the administration of federally aided programs; and (4) opportunity for interchange of employees between Federal, State, and local levels of government. Hearings on both measures were held on April 26, 27, and 28, 1967. The Subcommittee held six executive sessions on the bills, June 28, 1967, August 2, 1967, September 27, 1967, September 28, 1967 a.m. and p.m., and October 10, 1967. In the executive session on October 10, 1967, the legislation was reported, with amendments, to the parent committee. The Committee on Government Operations considered this legislation on October 26, 1967 and October 31, 1967 at which time S. 699, the Intergovernmental Personnel Act of 1967 was reported to the Senate. On November 7, 1967,

the Senate considered the legislation, adopted two amendments, and enacted it with the amendments. The bill is now pending before the House Committee on Education and Labor.

S. Res. 68.—This resolution provides for the establishment of a Senate Select Committee to study the problems of Technology and the Human Environment, giving particular attention to the hazards and the potential benefits of technological change during the next fifty years. Hearings were held on March 15, 16, and 20th, and on April 5, 6, and 11th, 1967. In executive session, June 28, 1967, the resolution was agreed to, with minor amendments, and reported to the parent committee.

Legislation pending before and yet to be acted upon by the Subcommittee includes:

S. Res. 79.—Introduced by Senators Mondale and Muskie, to authorize a study of revenue sharing by the Committee on Government Operations.

S. 458.—Introduced by Senator Mundt, to provide for periodic Congressional review of Federal grants-in-aid to States and to local units of government.

S. 567.—Introduced by Senator Kennedy of Massachusetts, to establish a Temporary National Commission on Intergovernmental Fiscal Needs and Resources.

S. 671.—Introduced by Senator Muskie, to establish a National Intergovernmental Affairs Council in the Executive Office of the President.

S. 698.—Introduced by Senator Muskie, the Intergovernmental Cooperation Act of 1967, to promote the fullest cooperation and coordination of activities among the levels of government by improving the administration of grants-in-aid to the States, providing for periodic Congressional review of Federal grants-in-aid, permitting provision for reimbursable technical services to State and local government, establishing coordinated intergovernmental policy and administration of grants and loans for urban development, and authorizing consolidation of certain grant-in-aid programs. It would also provide for the acquisition, use, and disposition of land within urban areas by Federal agencies in conformity with local government programs, establish a uniform relocation assistance policy, and establish a uniform land acquisition policy for Federal and federally-aided programs. This is a revised version of S. 561, 89th Congress and S. 1681, 89th Congress, both of which were approved by the Senate.

S. 735.—Introduced by Senator Scott, to provide for periodic review of Federal programs of grant-in-aid assistance to States.

S. 799.—Introduced by Senator Scott, to institute a system of comprehensive planning and coordination among the several levels of government.

S. 1364.—Introduced by Senator Muskie, to establish certain conditions under which States or other taxing authorities might subject persons to liability for payment of property taxes on property located in Federal areas within such States.

Research and information

Creative Federalism.—This is a continuous study in the course of which hearings are held from time to time. Part I of the hearings, containing testimony of representatives of the Executive Branch of the Federal Government presented on November 16, 17, 18, and 21, 1966, was published in January, 1967. Testimony of officials from the State-Local-Regional level was taken at hearings held February 1, 2, 7, and 9, and March 21 and 22, 1967, and this has been published as Part II of Creative Federalism.

During the First Session of the 90th Congress, the Subcommittee issued several committee prints.

The Federal System as Seen by Federal Aid

Officials.—S. Con. Res. 6 was considered and agreed to on May 11, 1967, authorizing the printing of additional copies of this publication.

Criteria for Evaluation in Planning State and Local Programs.—This study was prepared for the Intergovernmental Relations Subcommittee by Harry P. Hatry, Chairman of the State-Local Finance Project of George Washington University, and was issued July 1967.

Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments.—Prepared by the Advisory Commission on Intergovernmental Relations for the Subcommittee on Intergovernmental Relations, this report, first adopted by the Commission, June, 1961, was revised to include fiscal data as of January, 1967, and was issued July, 1967.

Federal Disaster Relief Manual.—The Subcommittee staff is engaged in revision of this manual. Questionnaires were sent to approximately twenty-five departments and agencies of the Federal Government requesting detailed pertinent information to be used in the revision.

State Utility Commission.—This publication is composed of data compiled from responses by State utilities regulatory bodies to questionnaires regarding their form of organization, jurisdiction, staffing, and other characteristics, and was issued on September 11, 1967.

Since issuance of this publication, the demand was such that an additional printing of 2400 copies was authorized.

Catalog and Federal Aids to State and Local Governments.—With assistance from the Legislative Reference Service of the Library of Congress, the Subcommittee is compiling a current and consolidated edition of the *Catalog of Federal Aids to State and Local Governments*, first issued by the Subcommittee in 1964, and its 1965 and 1966 supplements.

SUBCOMMITTEE ON EXECUTIVE REORGANIZATION ACTIVITIES REPORT, 90TH CONGRESS, 1ST SESSION

During the first session of the 90th Congress, the Subcommittee on Executive Reorganization held the following hearings: On April 4, Reorganization Plan #1, transferring from the Secretary of Commerce to the Secretary of Transportation authority to approve the surrender of certain ship documents; on May 3, 1967 on Reorganization Plan #2, concerning the U.S. Tariff Commission and ways to promote its more efficient operation; on July 25, 26 and 27, hearings were held on Reorganization Plan #3, to reorganize the District of Columbia government. A committee report disapproving Reorganization Plan #2 was submitted on May 10, 1967. Seven days of hearings were held on the Federal Role in Urban Affairs concluding the subcommittee's year-long investigation. The hearing dates were April 18-21 and 26, May 16 and June 28.

The Subcommittee concluded its study of the Federal role in traffic safety with the publication of an appendix listing all the domestic and foreign car defects reported to the Subcommittee in its defect investigation. A final report on the hearings and investigation has been prepared and will be filed early in the second session. Another report nearing completion deals with the subcommittee inquiry into the organization and coordination of Federal drug research and regulatory programs concerning the drug LSD. The subcommittee hopes to file a final report on the Federal role in urban affairs by final adjournment next year.

On October 17, 19 and 20, the subcommittee held hearings on S. 886, a bill to redesignate the Department of the Interior as the Department of Natural Resources and to transfer certain agencies to and from such Department.

SUBCOMMITTEE ON GOVERNMENT RESEARCH ACTIVITIES REPORT, 90TH CONGRESS, FIRST SESSION

Legislation

S. Res. 110.—Concerning Geographic Distribution of Federal Research and Development Funds.

S. 836.—A Bill to Create a National Foundation for the Social Sciences.

S. 843.—The Full Opportunity and Social Accounting Act of 1967.

S. Res. 181.—Providing for publication of Senate Document No. 55, "Research in the Service of Man."

Activities of subcommittee

S. Res. 110.—Hearings—Geographic Distribution of Federal Research and Development Funds May 10, 11, 17, 18, July 11, 17, 18, 31 Witnesses.

S. 836.—Hearings—A Bill to Create a National Foundation for the Social Sciences—Part I February 7, 8, 16, 9 Witnesses.

S. 836.—Hearings—A Bill to Create a National Foundation for the Social Sciences—Part II and Part III June 2, 6, 7, 20, 21, 27, 28, July 12, 13, 45 Witnesses.

Hearing—Research in the Service of Man: Biomedical Development, Evaluation of Existing Federal Institutions; February 28, March 1, 2, 3, 16, 21 Witnesses.

S. 843.—Seminar—The Full Opportunity and Social Accounting Act of 1967, June 26, 15 Participants.

S. 843.—Hearing—The Full Opportunity and Social Accounting Act of 1967, July 19, 20, 26, 27, 28, 27 Witnesses.

The Subcommittee has held a total of 30 days of hearings during 1967, at which a total of some 148 witnesses have appeared.

Publications

An Inventory of Congressional Concern With Research and Development, Part I and Part II (88th and 89th Congresses) December 15, 1966 and October 11, 1967. Document has been printed and distributed.

Federal Support of International Social Science and Behavioral Research. Hearing held June 27, 28 and July 19, 20, 1966. Document was printed and distributed.

A Bill to Provide for the Establishment of the National Foundation for the Social Sciences.—S. 836—Parts I, II and III. Document was printed and is being distributed.

Distribution Among the States of Research and Development Funds Made Available by Government Agencies.—S. Res. 231. Part I—July 25, 26, and 27, 1966 Hearings. Document was printed and distributed.

Distribution of Research and Development Funds.—S. Res. 110. Parts II and III. May 10, 11, 17, 18, July 11, 17, 18, 1967 Hearings. Document was printed and is being distributed.

Research in the Service of Man: Biomedical Knowledge, Development and Use. A Conference sponsored by the Subcommittee on Government Research and the Frontiers of Science Foundation of Oklahoma, October 24-27, 1966. Document was printed and distributed, October, 1967. Senate Document No. 55 is on sale at GPO.

Research in the Service of Man: Biomedical Development, Evaluation of Existing Federal Institutions. Hearings Held February 28, March 1, 2, 3, 16, 1967. Document was printed and distributed.

The Full Opportunity and Social Accounting Act of 1967.—S. 843. Seminar, June 26. Document in preparation.

The Full Opportunity and Social Accounting Act of 1967.—S. 843. Hearings Held July 19, 20, 26, 27, 28, 1967. Document in preparation.

A Bill to Create a National Foundation for the Social Sciences, S. 836.—Draft Report is being prepared.

Research in the Service of Man.—Draft Report is being prepared.

S. Res. 110.—Distribution of Federal Research and Development Funds. Draft Report is being prepared.

Mr. McCLELLAN. Mr. President, a full, detailed report on the activities of the committee and all subcommittees will be submitted at the end of the 90th Congress.

Seventy-three bills and resolutions were referred to the committee during the first session. Two bills were enacted into law; 18 resolutions were agreed to; and six legislative proposals were reported favorably and approved by the Senate but were not acted upon by the House of Representatives.

LEGISLATION ACTED UPON BY THE COMMITTEE

First. H.R. 4241—S. 826: To extend for 2 years the period for which payments in lieu of taxes may be made with respect to certain real property transferred by the Reconstruction Finance Corporation and its subsidiaries to other Government departments—Senate Report No. 350, passed Senate June 26, 1967, Public Law 90-50, July 7, 1967.

Second. S. 188: Creating a Commission to be known as the Commission on Noxious and Obscene Matters and Materials. The House, after passing H.R. 10347, then passed S. 188, amending it by substituting for its text the language of H.R. 10347. The Senate agreed to House amendments and the bill became Public Law 90-100 on October 3, 1967.

Third. S. 538: To amend the Legislative Reorganization Act of 1946 to provide for more effective evaluation of the fiscal requirements of the executive agencies of the Government of the United States. The bill was reported favorably—Senate Report No. 220—on May 9, 1967; passed the Senate May 11, 1967, and referred to the House Committee on Rules.

Fourth. S. 805: To amend section 202(b) of the Federal Property and Administrative Services Act of 1949, to authorize the Administrator of GSA to take over the care and handling of excess real and related personal property until a determination is made as to its use or disposal. Bill was reported favorably with an amendment—Senate Report No. 351—on June 23, 1967, passed the Senate on June 26, 1967, and referred to the House Committee on Government Operations.

Fifth. S. 878: To amend section 201(c) of the Federal Property and Administrative Services Act of 1949 to permit further Federal use and donation of exchange sale property. Reported favorably with an amendment—Senate Report No. 642—On October 17, 1967, passed the Senate on October 19, 1967, and referred to the House Committee on Government Operations.

Sixth. S. 1602: To create a Northwest Regional Services Corporation. Three days of hearings were held—jointly with Senate Joint Resolution 64—with Senator METCALF serving as acting chairman of the committee. Bill was reported favorably with amendments on October 26, 1967—Senate Report No. 689—passed the Senate on October 27, 1967, and was referred to the House Committee on the Judiciary on October 30, 1967.

Seventh. Senate Joint Resolution 64: To establish a Commission on Balanced Economic Development. Three days

of hearings were held—jointly with S. 1602—with Senator METCALF serving as acting chairman of the committee. Bill was reported favorably with amendments—Senate Report No. 675—on October 23, 1967. Passed the Senate on October 23, 1967, and was referred to the House Committee on Interstate and Foreign Commerce on October 30, 1967.

Eighth. S. 699: Intergovernmental Personnel Act—subcommittee held 3 days of hearings; reported favorably with amendments—Senate Report No. 701—on October 31, 1967. Passed Senate on November 7, 1967, and referred to the House Committee on Education and Labor on November 8, 1967.

REORGANIZATION PLANS OF 1967

Under the Reorganization Act of 1949, as amended, the President is authorized to submit plans to the Congress to reorganize the executive branch of the Government. Such plans become effective within 60 calendar days following submission to the Congress, unless disapproved by a majority vote of either the House or the Senate.

In 1967, the President submitted three reorganization plans to Congress. Hearings were held by the full committee or the Subcommittee on Executive Reorganization on all three plans, and two of them became effective. The plans were as follows:

Reorganization Plan No. 1 of 1967—transferring from the Secretary of Commerce to the Secretary of Transportation, authority to approve the surrender of certain ship documents. Hearings were held and the Plan became effective on May 9, 1967.

Reorganization Plan No. 2 of 1967—concerning the U.S. Tariff Commission and ways to promote its more efficient operation. Following hearings, S. Res. 114, disapproving the plan, was filed by Senator Baker. The Senate agreed to the resolution on May 15, 1967, and the plan was rejected.

Reorganization Plan No. 3 of 1967—to reorganize the government of the District of Columbia. Hearings were held by the full committee. A resolution of disapproval was rejected in the House of Representatives on August 9, 1967, and the Plan became effective on August 11, 1967.

GAO AUDIT REPORTS

Pursuant to the requirements of the Legislative Reorganization Act of 1946, and the rules of the Senate, a total of 203 audit reports and other communications relating to fiscal and related operations of the Government were submitted to the Senate by the Comptroller General of the United States, and referred to the committee. These reports were reviewed by the staff of the committee and, when warranted, by the Senate Permanent Subcommittee on Investigations. The great majority of the reports relate to excessive expenditures or agency actions which are considered to be irregular or not in accord with existing law. Unless some specific recommendations for action were suggested by the Comptroller General, the committee took no further action on these reports.

GOVERNMENT POLICY AND PRACTICES WITH RESPECT TO CONTRACTS FOR TECHNICAL SERVICES

The committee held a series of public hearings reviewing Government policy and practices with respect to contracts for technical and other support service contracts, involving annual expenditures

by the Department of Defense of approximately \$3.5 billion in contracts with private industry. Particular attention was given to the planned and partially executed conversion of approximately 10,500 positions from contract to civil service. The committee is concerned with the relative efficiency and economy of support services generally, whether performed inhouse or by contract, and it is anticipated that this matter will remain under consideration during the second session of the 90th Congress.

CHART AND REPORT OF GOVERNMENT ORGANIZATION

As initiated in the 80th Congress, the committee continued the compilation of an annual organization chart and report reflecting by calendar year all reorganizations and changes effected in the basic structure and increases or decreases in personnel of all departments and agencies in the executive branch of the Government. The chart and accompanying report for calendar year 1966 reflecting data as of January 1, 1967, were printed on April 20, 1967, as Committee Report No. 27. The organization chart is a tabulation of personnel assignments to major operating components of each department and agency. The accompanying report contains complete details concerning major reorganizations effected, the resulting improvements in administration as reported by the agencies, as well as the total reductions or increases in Federal personnel.

INVESTMENT IN TITLE V WORK EXPERIENCE AND TRAINING PROGRAMS PAYS HUGE DIVIDENDS

Mr. NELSON. Mr. President, Mrs. Jean Spesock of Superior, Wis., was one of six graduates of title V, Economic Opportunity Act work experience and training programs to receive a citation of outstanding achievement on December 8. She was chosen for this recognition as an outstanding representative of nearly 56,000 former public assistance recipients who have found jobs immediately after completing work training projects or have gone on to advanced training. The citations were awarded by Miss Mary E. Switzer, Administrator of Social and Rehabilitation Services of the Department of Health, Education, and Welfare.

Mr. President, I congratulate Mrs. Spesock. Returning to her parents' home in Wisconsin in January 1960 with three children, she began receiving an aid to families with dependent children grant of approximately \$200 per month in June of that year. This was her situation until she entered a work experience and training program in June 1966. Although she had completed the 11th grade before her marriage, Mrs. Spesock had never been employed. Under title V, she was assigned to a high school equivalency course. On March 8, 1967, she received a regular high school diploma.

However, she still could not find employment. She therefore returned to the title V project in May and was sent to the Superior Vocational School for clerical training. At the same time she was placed in the Douglas County, Wis., treasurer's office for on-the-job training.